

Strandline Resources Limited

(STA \$0.39) Speculative Buy - Initiation of Coverage

EUROZ HARTLEYS

Analyst	Date	Price Target
Trent Barnett	23 rd March 2022	\$0.74/sh

Mineral sands prices are rising.

Investment case

Strandline is constructing the very large Coburn mineral sands project near Geraldton, WA. Construction is 60% complete. The reserve mine life is 22.5 years, with mine life extensions (possibly 2x) mainly dependent on land access agreements. The company also has a pipeline of mineral sands assets in Tanzania that could be developed or divested over time.

Cost of capital for long life mines in WA is reducing. Given the long mine life, STA is very sensitive to discount rates. Upon steady state commissioning (by June 2023) we may lower our WACC which would boost NPV considerably. Our NPV₈ is 68cps. Our NPV₆ is 84cps. On spot mineral sands price, our valuations become even higher.

We reinitiate coverage with a Speculative Buy. Key risks remain cost overrun potential and commissioning, although the Board and management has a strong history of contracting, which hopefully mitigates risks somewhat.

Key points

- The Coburn project is a Zircon, Chloride Ilmenite, HiTi project near Geraldton, WA;
- The scale, quality and location of the project near WA's traditional mineral sands province gives it strategic importance, in our view;
- The offtakes allow sales of HMC ahead of the commissioning of the MSP, so we expect first production in December Qtr;
- Our NPV₁₂ is 39cps, and now that construction is underway, that should be a reasonable level of support, providing commissioning is to plan;
- We see post commissioning (early CY23) as a big de-risking event. Our NPV₈ is 68cps, and we view this as the steady-state target (ie early CY23);
- Spot mineral sands prices are much higher than our base case, and our spot valuation (NPV₁₂) is \$1.14;
- We have a price target of 74cps, implying fully funded EV/EBITDA of 10.4x (spot prices 6.4x);
- Key risks remain cost overrun potential and commissioning;

Strandline Resources Ltd	Year End 30 June	
Share Price	0.39	A\$/sh
Price Target	0.74	A\$/sh
Valuation	0.39	A\$/sh
		npv (12.0%)

Shares on issue	1148m, diluted *
Market Capitalisation	442 A\$m
Enterprise Value	444 A\$m
Debt (31 Dec 21a)	120 A\$m
Cash (31 Dec 21a)	118 A\$m
Largest Shareholder	Tembo

Production F/Cast	2022F	2023F	2024F
Zircon	0	8	32
Rutile / HiTi	0	5	20
Ilmenite	0	26	105
Zircon Conc.	0	22	53

Assumptions	2022F	2023F	2024F
Chloride Ilmenite	284	290	280
Zircon	1750	1800	1500
Rutile	1500	1400	1210
AUDUSD	0.73	0.73	0.74

Key Financials	2022F	2023F	2024F
Revenue (A\$m)	0	67	188
EBITDA (A\$m)	-3	28	99
NPAT (A\$m)	-11	12	81
Cashflow (A\$m)	-8	16	83

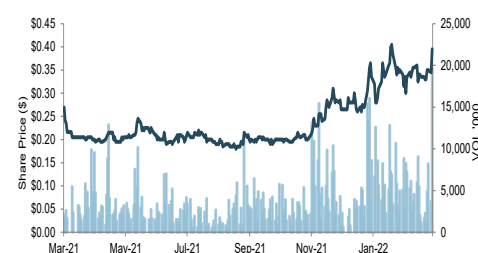
CFPS (Ac)	-1	1	7
P/CFPS (x)	-57.0	28.0	5.3
EPS (Ac)	-1	1	7
EPS growth (%)	0%	0%	556%
PER (x)	-40.6	35.5	5.4

EV:EBITDA (x)	nm	22.2	5.5
EV:EBIT (x)	nm	50.5	6.7

DPS (Ac)	0.0	0.0	0.0
Dividend Yield (%)	0%	0%	0%

ND:Net Debt+Equity (%)	51%	57%	31%
Interest Cover (x)	-	-	-

Share Price Chart



Disclaimer

Euroz Hartleys declares that it has acted as underwriter to and/or arranged an equity issue in and/or provided corporate advice to STA during the last year. Euroz Hartleys has received a fee for these services.

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Key Variables

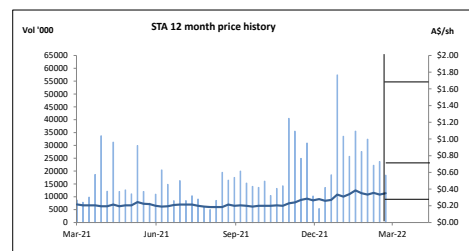
Val/ Sh		Zircon								
\$0.39		-20%	-15%	-10%	-5%	0%	5%	10%	15%	20%
AUDUSD	15%	\$0.08	\$0.11	\$0.15	\$0.18	\$0.22	\$0.26	\$0.29	\$0.33	\$0.37
	10%	\$0.12	\$0.16	\$0.20	\$0.23	\$0.27	\$0.31	\$0.35	\$0.39	\$0.42
	5%	\$0.17	\$0.21	\$0.25	\$0.29	\$0.33	\$0.37	\$0.41	\$0.45	\$0.49
	0%	\$0.22	\$0.26	\$0.30	\$0.35	\$0.39	\$0.43	\$0.47	\$0.51	\$0.56
	-5%	\$0.28	\$0.32	\$0.37	\$0.41	\$0.46	\$0.50	\$0.54	\$0.59	\$0.63
	-10%	\$0.35	\$0.39	\$0.44	\$0.49	\$0.53	\$0.58	\$0.62	\$0.67	\$0.72
	-15%	\$0.42	\$0.47	\$0.52	\$0.57	\$0.62	\$0.67	\$0.71	\$0.76	\$0.81

Val/ Sh		Rutile								
\$0.39		-20%	-15%	-10%	-5%	0%	5%	10%	15%	20%
AUDUSD	15%	\$0.19	\$0.20	\$0.20	\$0.21	\$0.22	\$0.23	\$0.24	\$0.25	\$0.25
	10%	\$0.24	\$0.25	\$0.25	\$0.26	\$0.27	\$0.28	\$0.29	\$0.30	\$0.31
	5%	\$0.29	\$0.30	\$0.31	\$0.32	\$0.33	\$0.34	\$0.35	\$0.35	\$0.36
	0%	\$0.35	\$0.36	\$0.37	\$0.38	\$0.39	\$0.40	\$0.41	\$0.42	\$0.43
	-5%	\$0.42	\$0.43	\$0.44	\$0.45	\$0.46	\$0.47	\$0.48	\$0.49	\$0.50
	-10%	\$0.49	\$0.50	\$0.51	\$0.52	\$0.53	\$0.54	\$0.55	\$0.56	\$0.57
	-15%	\$0.57	\$0.58	\$0.59	\$0.61	\$0.62	\$0.63	\$0.64	\$0.65	\$0.66

Val/ Sh		Chloride ilmenite								
\$0.39		-20%	-15%	-10%	-5%	0%	5%	10%	15%	20%
AUDUSD	15%	\$0.19	\$0.20	\$0.20	\$0.21	\$0.22	\$0.23	\$0.24	\$0.25	\$0.25
	10%	\$0.24	\$0.25	\$0.25	\$0.26	\$0.27	\$0.28	\$0.29	\$0.30	\$0.31
	5%	\$0.29	\$0.30	\$0.31	\$0.32	\$0.33	\$0.34	\$0.35	\$0.35	\$0.36
	0%	\$0.35	\$0.36	\$0.37	\$0.38	\$0.39	\$0.40	\$0.41	\$0.42	\$0.43
	-5%	\$0.42	\$0.43	\$0.44	\$0.45	\$0.46	\$0.47	\$0.48	\$0.49	\$0.50
	-10%	\$0.49	\$0.50	\$0.51	\$0.52	\$0.53	\$0.54	\$0.55	\$0.56	\$0.57
	-15%	\$0.57	\$0.58	\$0.59	\$0.61	\$0.62	\$0.63	\$0.64	\$0.65	\$0.66

Euroz Forecast	FY'23	FY'24	FY'25	FY'26	FY'27
AUDUSD	0.73	0.74	0.74	0.74	0.74
Chloride Ilmenite	\$290	\$280	\$270	\$230	\$230
Zircon	\$1,800	\$1,500	\$1,500	\$1,300	\$1,300
Rutile	\$1,400	\$1,210	\$1,252	\$1,200	\$1,200
Leucoxene	\$1,050	\$908	\$939	\$900	\$900
Monazite	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000

Our Share Price Sensitivity



Our Market Sensitivity

Valuation - \$0.39/sh
Target Price - \$0.74/sh

Bull Scenario - \$1.85/sh

NPV8, spot commodity prices. Discount on Tanzanian assets.

Base Scenario - \$0.74/sh

Rerating from NPV12 base case to NPV8 base case.

Bear Scenario - \$0.25/sh

Market refuses to re-rate stock during construction phase.

Company Summary

STA is building a substantial mineral sands business. Coburn is a large WA asset and very advanced. The Fungoni development is small zircon rich project in Tanzania. The Tajiri project is a large development in Tanzania.

Disclaimer

The projections and information above is based on the set assumptions outlined. Due care and attention has been used in the preparation of this information. However actual results may vary from forecasts and any variation may be materially positive or negative. Forecasts by their very nature, are subject to uncertainty and contingencies, many of which are outside the control of Euroz Hartleys.

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Market Statistics				Year End 30 June			
Share Price	\$0.385	A\$/sh	Directors				
Issued Capital	1123.9	m	Didier Murcia	NE Chair			
Options	24.3	m	Luke Graham	MD			
Fully diluted	1148.2	m	Peter Watson	NE			
Fully dil. & financed	1148.2	m	Earnest (Tom) Eadie	NE			
			John Hodder	NE, Tembo			
Mkt Capital'n (dil.)	442.1	\$m	Mark Hancock	NE			
Enterprise Value	443.7	\$m	Alexandra Atkins	NE			
Debt	120.0	\$m	James Chialo	NE (alt)			
Cash	118.4	\$m	Shareholders				
EV post capex	619.6	\$m	Tembo	20.3%			
Asset Valuation				A\$m	A\$/sh		
Coburn (NPV12)			385	0.34			
Fungoni (discount to NPV12)			42	0.04			
Tajiri (discount to NPV12)			181	0.16			
Other Assets/Exploration			5	0.00			
Forwards			0	0.00			
Corporate Overheads			-36	-0.03			
Net Cash (Debt)			-2	0.00			
Tax (NPV future liability)			-130	-0.11			
Options & Other Equity			2	0.00			
Total			446	0.39			
<i>Spot fx 0.74, S. Illm. cfr \$440/t, Chl. Illm.cfr \$260/t, Zir. \$2050/t, Rut. \$2100/t.</i>							
			379	1.14			
Coburn Production Summary				2021A	2022F	2023F	2024F
Mining Inventory	Mt	848.3	824.9	801.5	778.1		
Grade	%	1.1%	1.1%	1.1%	1.1%		
Mill Throughput	Mt	0.0	0.0	9.6	23.4		
HM grade	%	-	-	1.1%	1.1%		
Zr production	kt	0.0	0.0	8.1	32.4		
Rutile / Hi-Ti production	kt	0.0	0.0	4.9	19.6		
Chlor. Ilmenite production	kt	0.0	0.0	26.3	105.0		
Zr conc	kt	0.0	0.0	21.9	53.3		
Ilmenite	% rev.			14.9%	20.2%		
Zircon	% rev.			29.3%	34.2%		
Zircon conc.	% rev.			43.5%	30.9%		
Rutile / Hi-Ti production	% rev.			12.3%	14.8%		
Fungoni Production Summary				Yr1	Yr2	Yr3	Yr4
Mining Inventory	Mt	14.5	12.5	10.5	8.5		
Grade	%	3.7%	3.6%	3.3%	2.9%		
Mill Throughput	Mt	0.9	2.0	2.0	2.0		
HM grade	%	3.9%	5.3%	5.5%	4.2%		
Zr production	kt	5.8	15.6	18.5	16.6		
Rutile / Hi-Ti production	kt	1.3	3.5	4.2	3.7		
Chlor. Ilmenite production	kt	13.0	35.4	41.8	37.5		
Ilmenite	% rev.	22.7%	21.9%	20.7%	20.7%		
Zircon	% rev.	59.9%	60.3%	59.4%	59.4%		
Rutile / Hi-Ti production	% rev.	10.3%	10.8%	11.8%	11.8%		
Monazite	% rev.	7.1%	7.1%	8.1%	8.1%		
Ratio Analysis (A\$m)				2021A	2022F	2023F	2024F
CF (A\$m)		(8)	(8)	16	83		
CF / Sh (Ac/sh)		(1)	(1)	1	7		
CF Ratio (x)		(30)	(57)	28	5		
Earnings (A\$m)		(13)	(11)	12	81		
EPS (Ac/sh)		(2)	(1)	1	7		
EPS Growth (%)					556%		
Earnings Ratio (x)		(19)	(41)	35	5		
E'prise Val. (A\$m) full funded		334	570	619	541		
EV : EBITDA (x)		nm	nm	22	5		
EV : EBIT (x)		nm	nm	51	7		
Net Debt / ND+Eq (%)		nm	51%	57%	31%		
Interest Cover (x)		na	-	-	-		
EBIT Margin (%)		-11566%	nm	18%	43%		
ROE (%)		nm	nm	9%	46%		
ROA (%)		nm	nm	4%	20%		
Div. (Ac/sh)		-	-	-	-		
Div. payout ratio (x)		-	-	-	-		
Div. Yield (%)		0.0%	0.0%	0.0%	0.0%		
Div. Franking (%)		100%	100%	100%	100%		
Profit and Loss (A\$m)				2021A	2022F	2023F	2024F
Net Revenue		0.1	0.0	66.9	188.0		
Total Costs		-11.9	-3.2	-38.9	-89.4		
EBITDA		-11.8	-3.2	27.9	98.6		
- margin		-11457%	-	42%	52%		
Depreciation/Amort		-0.1	-7.5	-15.7	-17.7		
EBIT		-11.9	-10.6	12.3	81.0		
Net Interest		-0.9	0.0	0.0	0.0		
Pre-Tax Profit		-12.8	-10.6	12.3	81.0		
Tax Expense		0.0	0.0	0.0	0.0		
Normalised NPAT		-12.8	-10.6	12.3	81.0		
Abnormal Items		0.0	0.0	0.0	0.0		
Reported Profit		-12.8	-10.6	12.3	81.0		
Minority		0.0	0.0	0.0	0.0		
Profit Attrib		-12.8	-10.6	12.3	81.0		
Cash Flow (A\$m)				2021A	2022F	2023F	2024F
Operating Cashflow		-8.3	-7.6	15.6	82.6		
Income Tax Paid		0.0	0.0	0.0	0.0		
Interest & Other		-2.0	0.0	0.0	0.0		
Operating Activities		-10.3	-7.6	15.6	82.6		
Property, Plant & Equip.		-12.3	-224.0	-61.0	0.0		
Exploration and Devel.		0.0	-4.0	-4.0	-4.0		
Other		0.3	0.0	0.0	0.0		
Investment Activities		-12.0	-228.0	-65.0	-4.0		
Borrowings		-5.6	208.0	0.0	0.0		
Equity or "tbc capital"		133.3	0.0	0.0	0.0		
Dividends Paid		0.0	0.0	0.0	0.0		
Financing Activities		127.7	208.0	0.0	0.0		
Net Cashflow		105.4	-27.6	-49.4	78.6		
Balance Sheet (A\$m)				2021A	2022F	2023F	2024F
Cash		110.6	83.0	33.6	112.2		
Other Current Assets		7.1	0.0	11.9	33.5		
Total Current Assets		117.7	83.0	45.5	145.7		
Property, Plant & Equip.		31.6	248.1	293.4	275.7		
Exploration		5.4	9.4	13.4	17.4		
Investments/other		1.6	1.6	1.6	1.6		
Tot Non-Curr. Assets		38.5	259.1	308.4	294.7		
Total Assets		156.3	342.1	353.9	440.4		
Short Term Borrowings		0.3	0.3	0.3	0.3		
Other		16.5	5.0	4.5	10.1		
Total Curr. Liabilities		16.8	5.3	4.8	10.4		
Long Term Borrowings		2.8	210.8	210.8	210.8		
Other		1.9	1.9	1.9	1.9		
Total Non-Curr. Liabil.		4.8	212.8	212.8	212.8		
Total Liabilities		21.6	218.1	217.6	223.1		
Net Assets		134.7	124.0	136.3	217.2		
Net Debt		-107.5	128.1	177.5	98.9		
Reserves & Resources				Grade	Ilmenite	Zircon	Rutile/Hiti
Total Resource		1.5%	51.2%	19.7%	11.6%		
Coburn (WA)		1.2%	48%	22%	12%		
Fungoni (Tanz.)		2.8%	41%	17%	6%		
Tajiri (Tanz.)		3.3%	71%	6%	10%		
Total Reserve		1.2%	47.8%	22.9%	11.9%		
Coburn (WA)		1.1%	48%	23%	12%		
Fungoni (Tanz.)		3.9%	41%	17%	6%		
Tajiri (Tanz.)							

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Analysis

Coburn is a very large zircon/chloride ilmenite/HiTi project with a Reserve of 523Mt grading 1.11% total heavy mineral near the port of Geraldton, WA.

First HMC exports are expected in the December quarter, with MSP production expected in March Qtr 2023.

The DFS showed production of 32ktpa of premium zircon plus 58ktpa of zircon concentrate. Chloride ilmenite production is expected at 110ktpa and HiTi of 20ktpa.

The DFS assumed annual EBITDA -A\$104m pa, and our model is similar. On spot mineral sands prices, we estimate annual EBITDA of A\$160m pa.

As with most commodities, there appears to be improving momentum in mineral sands prices. Latest data suggests tightening with premium zircon trading around US\$2050/t (up from 2020 lows of -US\$1430/t), and rutile -US\$2100/t (from 2020 lows of US\$1090/t).

Ilmenite prices are also improving, with data suggesting sulphate prices now around US\$440/t (up from 2020 lows nearer to US\$200/t) and chloride prices (less volatile) are strong around US\$260/t (STA has 5yr fixed price + PPI changes for its chloride ilmenite).

Mineral sands are correlated with global housing, whitegoods and industrial production. Consequently, increasing demand is consistent with the improving cycle. Meanwhile, underinvestment and mine depletion means that there is the potential for a significant squeeze and sustainable price spike over coming years.



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Offtakes

CHORLIDE ILMENITE (100% under offtake, fixed price) 110ktpa LOM

The agreement is with Chemours (USA) and covers 100% of the chloride ilmenite to be produced at Coburn for the first five years. The pricing is fixed (rise and fall based on PPI). The ilmenite sales are expected to generate between 20-24% of Coburn's forecast revenue, based on Company model.

PREMIUM ZIRCON (100% under offtake, market prices), 34ktpa LOM

One agreement is with Industrie Bitossi s.p.a (Bitossi), one of the world's largest zircon consumers, based primarily in the high-quality European ceramics market. Zircon sales under the agreement are expected to generate ~18% of Coburn's revenue, based on Company model. Price is based on the spot US-dollar market price for premium "ceramic grade" zircon. The Company has a second binding offtake agreement for premium zircon with Chilches Materials S.A. (five-year term). Sale price for the zircon references the prevailing US-dollar market price for premium "ceramic grade" zircon. The third premium zircon agreement is with Mario Pilato BLAT S.A., a leading European raw material supplier to the ceramics, glass and refractory industries. Under the agreement, the sale price for zircon references the prevailing US-dollar market price for premium zircon and is for nominally 10,000 tonnes per annum of finished premium zircon product for an initial two-year period.

RUTILE/HiTi (100% under offtake, market prices), 24ktpa LOM

The agreement is with Venator Materials (Venator), a leading global chemical company dedicated to the development and manufacture of titanium dioxide (TiO₂) pigments.

Coburn's Rutile specification has been confirmed as suitable for production of TiO₂ pigment (the largest market for high grade titanium feedstocks), commonly used in the formulation of paints, coatings, inks, ceramics, paper and plastic production and other industrial applications.

ZIRCON CONC. (100% under offtake, market prices), 54ktpa LOM

The agreement is with Sanxiang Advanced Materials Co., Ltd and Nanjing Rzisources International Trading Co. Ltd operating in partnership. The offtake is for 100% of the zircon concentrate produced at Coburn for the first seven years, accounting for between 22-26% of Coburn's revenue based on Company model. The pricing is based on premium zircon market prices plus credits for the titanium and monazite. This means prices will be a premium to the prices assumed in the DFS, ceteris paribus. The agreement also provides for sale of 100 per cent of the HMC from the WCP during the project ramp-up phase while the MSP is being constructed. This strategy accelerates cashflows and therefore further de-risks the project ramp-up phase.

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Operating costs

The Coburn deposit has a relatively low head grade. The low head grade is offset by Coburn's rich heavy mineral assemblage, low slimes and oversize material, coarse particle size and conventional mining and processing. Even still, the grade means mining costs need to be efficient. Average waste-to-ore strip ratio is 0.7. Average pit depth is 23m and maximum depth is 62m. The DFS estimates total cost / t ore is -A\$3.45, which implies a very efficient operation. Sensitivity around this cost structure is the key risk, in our view.

Study work shows the sand is free-dig mined using two in-pit dozer mining units (dozer traps) in operation at any one time, with a third dozer trap being moved into position ready for the next mining block. The dozer traps prepare the ore and it is pumped in a slurry form to the processing plant.

Mine life extension

The reserve allows for a 23 year mine life, but the company has evaluated an extension study. Indicated-Inferred resources extending north and along strike of the Ore Reserve, totals 709Mt at 1.2% THM which have been evaluated in the Mine Life "Extension Case" Scoping Study. The native title access agreements apply over the Reserves, but access agreements for Amy North are still to be agreed. Our valuation assumes a 38 year mine life, although we assume a 12% discount rate which drastically penalises later years.

Construction of the HMC plant



Source: Euroz Hartleys Site Visit - March 2022

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Tanzania assets

The company has a small advanced project (Fungoni) in Tanzania. The company estimated capital cost (excluding financing) is US\$35m, and while the project is viable, it is small.

The Tajiri project is much larger (268Mt @ 3.3% HM). The company recently released a scoping study (capex US\$205m) in 2020. We attribute some value in our STA valuation, but the main driver is the Coburn project. We expect more study work to be completed over coming years.

Category	Fungoni DFS (Nov-2018)	Tajiri Engineering Scoping Study (Oct-2020)
Mine Life / Production Targets	6.2yrs	23.4yrs
Tonnes Mined	12.3Mt	185Mt
Throughput (Steady State)	2.0Mtpa	8Mtpa
Capital Expenditure (Pre-production excluding financing costs)	US\$35M	US\$125M
Revenue (LOM)	US\$184.2M	US\$1.61B
Total Opex (C1)	US\$66.1M	US\$0.66B
Total All-in Sustaining Costs (AISC)	US\$74.9M	US\$0.76B
Revenue-to-operating cost (C1) ratio (RC)	2.8	2.4
NPV (pre-tax, real, no debt, 10% DCF discount Rate)	US\$48.7M	US\$205M
EBITDA	US\$114.8M	US\$0.9B
Avg. annual EBITDA	US\$18.5M	US\$36.8M
IRR (pre-tax, real, no debt)	61%	36%

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Strandline Resources Limited

(STA \$0.39) Speculative Buy - Initiation of Coverage

EUROZ HARTLEYS

Board of Directors

Didier Murcia (AM) - Non-Executive Chairman

Honorary Consul for Tanzania in Australia, with extensive Tanzanian experience and high level connections.

30 years legal and corporate expertise in resources sector. Awarded Order of Australia for services to the international community through support for the provision of medical and educational resources in Tanzania.

Currently Chairman of Centaurus Resources Limited and Alicanto Minerals Limited.

Luke Graham - Chief Executive Officer and Managing Director

Mr Graham, an engineering professional with 20+ years' experience in the resources sector, has recently joined ASX listed mineral sands developer Strandline Resources Limited (Strandline) as CEO and MD. Luke was formerly Regional Manager of global minerals engineering and project delivery company Sedgman Pty Limited (a member of the CIMIC Group) serving over 11 years in various senior leadership roles within the business.

Mr Graham has a broad range of international leadership, technical and commercial expertise in the execution of major engineering projects within the resources (mine and port) and industrial sectors, including mineral sands, coal, iron ore, copper, gold and alumina. Extensive experience in managing financial operational performance and achieving strong business growth in soft market conditions.

Tom Eadie - Non-Executive Director

Explorer mining executive and company director with many significant mineral discoveries and several successful companies to his name. Previously Managing Director from 1 January 2016 to 18 September 2016. Geologist with over 20 years' experience in the resources industry. Former Executive Chairman of Copper Strike, former founding Chairman of Syrah Resources and previously Executive General Manager - Exploration and Technology at Pasminco. Past Board member of the Australasian Institute of Mining and Metallurgy and the Australian Mineral Industry Research Association.

John Hodder - Non-Executive Director

Mr Hodder is a Geologist by background with a B.Sc. in Geological Sciences and a B.Com. in Finance and Commerce from the University of Queensland. He spent ten years in the mining and oil and gas industries before completing a M.B.A. at London Business School. John established the Commonwealth Development Corporation (CDC) mining, oil and gas investment department in 1995 and was responsible for its investment activities for some eight years. He has served as a director of a number of junior mining companies and has significant experience of operating and investing in Africa. John also worked at Suncorp and Solaris as a Fund Manager focusing on the resources sector managing an index-linked natural resource portfolio of -AUD\$1.25bn.

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Peter Watson - Non-Executive Director - Strategy & Development

Mr Watson is a chemical engineer with more than 35 years' experience in the global resources sector across senior technical, project, and management roles as well as corporate experience running ASX-listed companies. His experience includes project development, project delivery and mining facilities operations across multiple commodities and global jurisdictions, including Africa. At Strandline, in addition to duties as a Director on the Board he is responsible for supporting the business across commercial, technical, corporate governance, and strategic aspects of the business working with the MD/CEO.

Mr Watson was previously Principal Advisor - Strategy and Development for the Company and prior to that the Managing Director and CEO of Sedgman Pty Limited, an ASX-listed engineering, project delivery and operations company focussed on the global minerals sector. Mr Watson is also currently a Non-Executive Director of both New Century Resources and Paladin Energy as well as Non-Executive Chairman of EvacGroup.

Mark Hancock - Non-Executive Director

Mr Hancock, who holds a Bachelor of Business (B.Bus) degree, is a Chartered Accountant (CA) and a Fellow of the Financial Services Institute of Australia (F FIN), has over 30 years' experience in key financial, commercial and marketing roles across a variety of industries with a strong focus on natural resources.

During 13 years at Atlas Iron, Mr Hancock served in numerous roles including CCO, CFO, Executive Director and Company Secretary. He also has strong board-level experience, particularly on matters covering governance, financial reporting, offtake marketing, mergers and acquisitions, risk management and strategy.

Mr Hancock has served as a director on a number of ASX-listed entities and is currently a Director of Centaurus Metals (ASX: CTM) and Fe Ltd (ASX: FEL).

Alexandra Atkins - Non-Executive Director

Ms Atkins has 7+ years of non-executive director experience with listed companies & NFPs. She is currently a non-executive director of ASX200 global contract mining company, Perenti Global (ASX: PRN) and International Women in Mining (a NFP). She is a former director of The Australasian Institute of Mining & Metallurgy (The AusIMM). Alex has over 25 years' multi-disciplinary and multi-commodity mining experience across the full value chain throughout Australia and PNG in roles that find, design & run mines, regulate mines & in the Big Fours. She is also MD & Principal at Alex Atkins & Associates, a mining risk consultancy focused on protection/conformance (assurance) and performance (digital transformation). With core competencies as a mining & geotechnical engineer, Alex has developed strong skills in finance, strategy, risk and governance which she has further honed during her time in the Big Fours, as an executive consultant and on Boards. Alex's "X-Factor" is her leadership of the digital transformation of mining whilst managing mining's critical material risks.

James Chialo - Alternate Director for Alexandra Atkins and Director of the Company's Tanzanian Subsidiaries

Mr Chialo obtained his Business Degree at Notre Dame University in Western Australia and has been a Director of Strandline's Tanzanian subsidiaries since 2016. Mr Chialo is based in Dar es Salaam, Tanzania and is also employed as Strandline's senior manager of Stakeholder and Sustainability, overseeing the Company's key exploration and development activities in Tanzania.

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Strandline Resources Limited

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Valuation

Our price target is **74cps**.

Price Target Methodology	Weighting	Spot	12 mth out
NPV ₁₂ consensus prices	55%	\$0.39	\$0.44
NPV ₁₂ at spot commodity and fx prices	25%	\$1.14	\$1.28
NPV ₈ consensus prices	15%	\$0.68	\$0.75
NPV ₈ at spot commodity and fx prices	3%	\$1.84	\$2.04
Net cash backing	2%	\$0.00	\$0.00
Risk weighted composite		\$0.66	
12 Months Price Target		\$0.74	
Shareprice - Last		\$0.39	
12 mth total return		93%	

Risks

The key risks for STA (like most mine companies in development) is completing the construction on time and budget and commissioning. Other risks are earnings disappointments given the industry is volatile and earnings can disappoint due to cost overruns, project delays, cost inflation, environmental regulations, plant and mine design mistakes or lower production. Although some earnings disappointments can be short term and are only a timing issue, other disappointments can be materially value destructive and can sometimes overhang stocks for a long period of time (for example metallurgy problems). Such disappointments can be very difficult to predict and share price reactions can be severe and immediate upon disclosure by the company. High financial leverage (if it exists at that time) would add to the problem. Sovereign risk is also high in Africa.

	Budget 30-Jun-21	Spent 31-Dec-21	Remaining 31-Mar-23
Capex	260	117	143
Contingency	22	9	13
WC	48		48
HMC shipment (3 x 10kt)	0		-24
Total	330	126	180
Funding	Available	Available	Available
- NAIF	130	94	0
- Bond	78	0	0
- Equity	130	118	32
Total Available Cash	338	212	32
	30-Jun-21	31-Dec-21	31-Mar-23
Net Debt (net cash)	-130	-4	176

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